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East Asia Biweekly Review

13 June 1978

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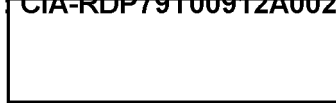
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EAST ASIA BIWEEKLY REVIEW

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Japan - Southeast Asia: Few Gifts to Offer

Minister of International Trade and Industry Komoto's trip through Southeast Asia last month produced little in the way of new Japanese aid and investment commitments for Indonesia, Singapore, and Malaysia. Komoto's visit underscored, however, Tokyo's continued high-level interest in the Association for Southeast Asian Nations (ASEAN) since Prime Minister Fukuda's swing through the region last year--an objective that is also the focus of Foreign Minister Sonoda's talks with his Southeast Asian counterparts at ASEAN's annual ministerial meeting this week.

Indonesia

In Jakarta, Komoto pledged to maintain Japan's level of oil imports from Indonesia, indicated that governmental and private assistance for doubling the capacity of the East Kalimantan liquefied natural gas (LNG) plant would be forthcoming, and reiterated Japan's commitment to see the Asahan aluminum project through to completion. In general, however, Komoto's remarks remained well within the bounds of Tokyo's prior commitments. Japanese officials, for instance, noted that Komoto's statement on Indonesian oil imports did not constitute a long-term guarantee; they also indicated that official assistance for the Indonesian LNG project may be forthcoming only after Japanese companies participating in the production of the LNG plant determine that the size of reserves are adequate.

Komoto also held the line in his discussions with President Suharto. At Indonesia's request, the Japanese agreed to send a private team to undertake an informal feasibility study for a new truck diesel engine factory. Otherwise, Komoto gave only generalized assurances that Tokyo would provide greater access for Indonesian exports to the Japanese market.

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Singapore

Komoto likewise sidestepped new initiatives in Singapore. Although he affirmed that the joint Singapore-Japan petrochemical complex will be completed "on schedule" at the end of 1981, Komoto hedged on the actual date of operation for the complex. The Japanese may drag their feet on the completion of the plant if it becomes apparent that there will be no market for its output. The minister also evaded the question of preferential access to the Japanese market for the plant's output, suggesting instead that the developers would have four years to consider marketing arrangements.

With Japan on record as supporting Singapore's diesel engine plant, Komoto was compelled to defend his commitment to conduct a feasibility study for a similar factory in Indonesia.

Malaysia

The Malaysians were apparently the most disappointed of all Komoto's hosts. Indeed, Komoto finessed virtually every request they advanced. In responding to a Malaysian suggestion that Japan restructure its lumber tariffs to encourage lumber processing in supplier countries, Komoto replied that such a step could create severe difficulties for Japanese industry. He also turned down a Malaysian request to reduce the Japanese tariff on palm oil--Komoto said the product was already competing very effectively in the Japanese market--and deflected the idea that Japan reduce its domestic urea production to open the way for more imports from urea plants in Indonesia and Malaysia. In so doing, Japanese officials privately noted that the government had managed to get reluctant domestic producers to agree to earlier cutbacks only by considerable arm-twisting.

Since the Malaysians prefer that the Japanese export their labor-intensive and low-technology industries, Komoto urged the Malaysian Government to improve the local investment climate in order to attract Japanese firms. In an unprecedented move, the minister also raised this issue publicly in order to register Japan's concern over Malaysian actions that inhibit Japanese investors.

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On the subject of aid, Komoto announced that Tokyo and Kuala Lumpur are close to agreement on projects to be financed under the fourth yen credit of \$85 million and would shortly begin negotiations on a fifth yen credit for the same amount. These credits were agreed to previously, however, and none of this aid is new.

Komoto also sidestepped Malaysia's request for a commitment to an export earnings stabilization agreement between Japan and ASEAN by suggesting that talks be held at the working level before the next ASEAN meeting. Since these talks, originally set for 29-30 May, have now been indefinitely postponed because of schedule conflicts in the ASEAN countries, the issue will almost certainly be raised with Sonoda this week.

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Korea: Crop Conditions

Severe drought conditions--similar to those in North China--have adversely affected the South Korean winter barley crop and threaten summer rice. These crops account respectively for 20 and 65 percent of the nation's food grain production.

Below normal precipitation since last fall and negligible amounts this spring will reduce winter barley yields and may damage the recently transplanted summer rice crop. Field observations in the major barley-producing area in late May indicate that most of the barley crop, normally harvested in early June, had ripened prematurely, many grain heads had not fully developed, and plants were stunted. The relatively small amount of barley that had not ripened, however, was in better condition, and near normal yields are expected. Farmers interviewed estimated that their losses would range from 20 to 80 percent, but Korean farmers traditionally underestimate their production levels in order to avoid full taxation. Nonetheless, it was evident that the most severe losses will be in unirrigated upland fields. The government has estimated these losses at 10 to 30 percent, but this may be low to conceal buying intentions in foreign grain markets.

Unless there is adequate precipitation soon to replenish irrigation water supplies, serious losses in this year's rice crop are likely. The upper air flow over northern China and the Korean peninsula is holding a band of dry clear air between 34° and 38° latitude and is forecast to remain static, with no significant relief anticipated until at least late June.

The summer rice crop was observed in varying stages of growth, ranging from newly planted seedbeds to fully transplanted fields, throughout the major rice growing areas. Numerous seedbeds lacked water, the soil was drying and beginning to crack in some areas, and reservoirs and ponds in several areas were very low or dry.

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An extensive labor mobilization campaign and strict water rationing underscore government concern over the widespread lack of irrigation water in South Korea. Military personnel, local militia, and school children have been sent to the more seriously affected areas to form bucket brigades to irrigate the more remote rice seedbeds. Furthermore, Minister of Agriculture and Fisheries Chang Tok-chin, announced on 28 May that free fuel would be provided to farmers for the operation of their irrigation pumps. Chang also reported that his ministry "plans to supply unlimited amounts of government-held rice" to offset any shortfall in production in 1978.

A rice shortfall would have no serious effect on the nation's food supply, but would be a setback to South Korea's recently attained self-sufficiency in rice. Production since 1974 has reached bumper levels, and stocks amounted to 1.7 million tons in November 1977. According to government estimates stocks were projected to reach 2.4 million tons in November 1978. South Korea harvested a record 6 million tons of rice in 1977, and yields were reported to be the highest in the world. Historically a major rice importer, South Korea achieved self-sufficiency in rice in 1976 allowing Seoul to lift restrictions on domestic rice consumption and sell 70,000 tons of rice to Indonesia on a deferred payment basis.

The barley situation is not nearly as favorable because of the lack of adequate reserves. After achieving self-sufficiency in 1975, the 1977 crop was reduced by more than 50 percent by cold, dry weather, and imports of approximately 400,000 tons were required. Seoul anticipated no rice or barley imports this year, but will probably have to import significant quantities of barley again to meet shortfalls.

In contrast to the situation in the South, crop conditions appear generally favorable in North Korea. Precipitation was near normal from last September through April, but May has been dry with no significant precipitation anywhere on the peninsula. Nevertheless, water for irrigation appears plentiful in North Korea.



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North Korea: Chronology

- 2 May China and North Korea sign 1978 trade protocol in Pyongyang. (U)
- Choe Chong-kun, formerly vice minister of foreign trade, is identified for the first time as Foreign Trade Minister. Choe assumes the title from Vice Premier Kye Ung-tae, who has taken on added responsibilities since he was moved up in the leadership hierarchy last November. (U)
- 5-10 May Hua Kuo-feng, Chinese party chairman and Premier, makes an official friendship visit to North Korea. There is no joint communique issued following the visit. (U)
- 11 May The Military Armistice Commission holds its 386th meeting at the request of the UN Command. The UNC side protests intrusion of an armed North Korean espionage boat into South Korean waters on 28 April. (U)
- 13 May Pyongyang radio reports without comment the Chinese Foreign Ministry protest of 11 May concerning the Soviet border intrusion in northeast China on 9 May. The incident occurred while Chinese leader Hua Kuo-feng was in North Korea. (U)
- Kim Il-song tells visiting Japan Socialist Party chairman Asukata that North Korea is prepared to extend the private fisheries agreement that permits Japanese fishing inside North Korea's 200-mile economic zone in the Sea of Japan. (U)

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- 15 May So Yun-sok is identified for the first time as chief secretary of the Pyongyang city party committee, replacing Kang Hyon-su. So was named an alternate member of the party Central Committee in 1970, but he has not made any public appearances in recent years. (U)
- 15-20 May The Coordinating Bureau of the non-aligned movement meets in Havana. The final communique issued on 22 May includes a paragraph on Korea supporting North Korea's longstanding demand for the dissolution of the UN Command, the withdrawal of US troops, and the replacement of the armistice agreement with a peace agreement. (U)
- 19 May South Korean patrol boats sink a North Korean boat off the east coast a short distance south of the seaward extension of the Military Demarcation Line and pick up eight survivors. Seoul asserts it was an espionage boat, but Pyongyang says it was a fishing boat that had drifted off course. (U)
- 20-23 May Romanian President Ceausescu visits North Korea between visits to China and Indochina. North Korea and Romania issue a joint statement reaffirming their close bilateral relation. (U)
- 27 May The Military Armistice Commission holds its 387th meeting at the request of the UN Command. Originally called to make further protests about the 28 April incident on the south coast, the meeting is used by the two sides to publicize their contrasting accounts of the 19 May incident off the east coast. (U)
- 29 May Vice Foreign Minister Yi Chong-mok attends a meeting of nonaligned foreign

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- 29 May ministers at UN headquarters. On 31 May he makes a courtesy call on UN Secretary General Waldheim. (U)
- 30 May Kim Tok-Chun, chairman of the organizing committee for the 35th world table tennis championship matches scheduled for Pyongyang in the spring of 1979, hosts a dinner for Roy Evans, president of the International Table Tennis Federation. (U)
- 31 May An editorial in the party daily calls for a "100-day battle" to celebrate the national day (9 September) by fulfilling the industrial production goal (unspecified) one month ahead of schedule. (U)
- Chen Chien-wu, Chinese member of the Military Armistice Commission, departs for China at the end of his assignment. Chen was assigned to the commission in December 1973. (U)
- 7 June The Military Armistice Commission holds its 388th meeting at the request of North Korea. The UN Command announces that South Korea will release the eight North Korean survivors from the 19 May incident. (U)

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